GOVERNMENT OF INDIA
MICRO,SMALL AND MEDIUM ENTERPRISES
LOK SABHA

UNSTARRED QUESTION NO:2326
ANSWERED ON:09.05.2016
Growth of MSME Sector
Jena Shri Rabindra Kumar

Will the Minister of MICRO,SMALL AND MEDIUM ENTERPRISES be pleased to state:

(a) whether the Government provides or proposes to provide collateral-free loans to the Micro, Small and Medium enterprises (MSMEs) in the country;

(b) if so, the details thereof;

(c) whether the Government consistently monitors the credit flow and growth of the MSME sector in the country; and

(d) if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF
MICRO, SMALL AND MEDIUM ENTERPRISES
(SHRI GIRIRAJ SINGH)

(a)&(b): The Ministry of Micro, Small and Medium Enterprises (MSME), Govt. of India, and Small Industries Development Bank of India (SIDBI), together have established a Trust named Credit Guarantee Fund Trust for Small Industries, now known as Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), for implementing the Credit Guarantee Scheme for Micro & Small Enterprises (CGS). Since its inception, CGTMSE has facilitated easy access to credit from organized banking sector to first generation entrepreneurs in the Micro and Small Enterprises (MSE) sector. CGTMSE, in turn, provides guarantee to its registered Member Lending Institutions (MLIs) against the loans / credit facilities upto Rs. 100 lakh extended by them without taking any collateral security and / or third party guarantee. As on March 31, 2016, 23,23,673 guarantees for an amount of Rs.1,08,990.86 crore have been approved by CGTMSE since inception.

(c)&(d): Scheduled Commercial Banks have been mandated not to accept collateral security in the case of loans upto Rs. 10 lakh extended to units in the MSE sector. Banks have also been advised, on the basis of good track record and financial position of the MSE units, to increase the limit of dispensation of collateral requirement for loans up to Rs. 25 lakh with the approval of the appropriate authority.

RBI has advised all Schedule Commercial Banks on Jun 29, 2010 as under:
(i) Achieve a 20 per cent year-on-year growth in credit to micro and small enterprises to ensure enhanced credit flow;
(ii) Allocate 60% of the MSE advances to the micro enterprises and
(iii) Achieve a 10% annual growth in number of micro enterprise accounts.

The Reserve Bank closely monitors the achievement of targets by banks.